# Economic Analysis of Primary Agricultural Cooperative Societies in Haryana

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## Introduction

Agriculture plays a significant role in the economies like India. A large quantum of Indian population is engaged in agriculture and it employs around 50 per cent of the Indian work force. The contribution of agriculture sector to the gross domestic product is about 17 to 18 per cent. So, it becomes the backbone of Indian economy. Being the large source of income and employment, it is very important to adopt the new capital-intensive technologies like investment in irrigation, land development, purchasing machinery, good quality of seeds, fertilizers and pesticides to improve and raise the productivity of agriculture sector. But the majority of farmers are marginal farmers; they receive income during short time of period and do not have enough funds to bought new capital-intensive technologies. Therefore, the need of agriculture credit is very important. Generally, the agriculture credit is of two types (a) non-institutional and (b) institutional credit. The former source of agriculture credit comprises moneylenders, landlords, relatives etc. Money borrowing from these sources is very costly because they charge the high rate of interest and farmers are exploited by them. On the other hand, Institutional sources of credit play an important role in the development of agriculture by providing loans to farmers at low rate of interest. These sources of credit in India consist of Public Sector Bank, Regional Rural Banks, Private Sector Banks and Cooperative Banks.

Among all these sources the role of cooperative credit is very important. Government has been taking various steps to encourage cooperative credit. Cooperative banking comes in India after the passing of cooperative societies Act in 1904. The structure of cooperative Banks in India is classified into two parts urban cooperative banks and rural cooperative credit institutions. The rural cooperative is bifurcated into two parts: short term and long term loans. Short term rural cooperative societies provide loans to the farmers and small businessmen. These societies have three tiers: State Cooperative Banks, Central Cooperative Banks, and Primary Agricultural Cooperative Societies (PACS). The State Cooperative Bank, at state level is the highest agency, Central Cooperative Banks at district level and Primary Agricultural Cooperative Societies at the village level. Now, there are 92,432 PACS in India. PACS provide loans for agriculture activities

in the form of short term and medium term and recover loan after the harvesting of crops. PACS is an association of borrowers and non borrower's members residing in a particular area. These societies work on the principle of one man one vote and managed by elected body. The borrowing power of each member is fixed. Poor farmers have easy access the membership because each share has a nominal value. The members of PACS get loan very easily and safely so they safe from clutches of moneylenders. These societies provide not only loans but other services are also provided to the farmers. Therefore the role of primary agricultural cooperative societies in agriculture sector is very important. But these societies have been suffering from various problems. As a result, these societies have been going into losses. There are now 725 PACS working across the Haryana state, which is catering the financial needs of beneficiary members who are residing mostly in rural areas. Therefore, it is very important to examine the past performance, repayment behavior of beneficiaries and impact of credit provided by PACS and to assess the problems faced by the beneficiaries.

## Review of literature

Review of literature is a comprehensive compilation of the information obtained from published and unpublished documents, research papers and reports in the specific area of interest to the researcher. This may include journals, newspapers, magazines, reports, government publications, and also computerized databases. The advantage of the literature is that it provides different perspectives and methodologies to be used to investigate the problem, as well as identify possible variables that may need to be investigated.

**Wadar et al. (2011)** emphasized upon the performance of PACS through secondary data from 2000-01 to 2009-10 in Amravati district Maharashtra. The percentage and compound growth rate were used for analyze the data. The study showed that membership at 12.64 per cent, share capital at 57.62 per cent, loan advanced at 33.86 per cent and loan recovery at 116.83 per cent increased. Furthermore, it also revealed that deposits at 22.58 per cent, working capital at 35.07 per cent, loan outstanding at 31.20 per cent, loan demand at 31.56 per cent and overdue at 55.69 per cent decreased.

**Boraiah and Dhananjaya (2012)** studied the credit repayment performance of beneficiaries' farmers of PACS in Karnataka state using primary data. A well-structured questionnaire was used

for collection of data and percentage method was used to analysis the data. The findings of the study revealed that 38.6 per cent amount by marginal farmers, 56 per cent amount by small farmers, 61 per cent amount by medium farmers and 90 per cent amount by large farmers were repaid on time in more irrigational area while 61.4 per cent amount by marginal farmers, 44 per cent amount by small farmers, 39 per cent amount by medium farmers and 10 per cent amount by large farmers were not repaid on time in more irrigational area. The amount of loan repaid was 66.55 per cent and 33.45 per cent amount was over dues. On the other side in less irrigational area, 36 per cent amount by marginal farmers, 58.5 per cent amount by small farmers, 53.8 per cent amount by medium farmers and 75 per cent amount by large farmers were repaid on time whereas 64 per cent amount by marginal farmers, 41.5 per cent amount by small farmers, 46.2 per cent amount by medium farmers and 25 per cent amount by large farmers were not repaid on time. The amount of loan repaid was 57.1 per cent and 42.9 per cent amount was not repaid on time. The study revealed that repayment behaviour of marginal farmers was not so good whereas overall repayment performance of beneficiaries was satisfactory in selected study area.

**Baka (2013)** analyzed the challenge faced by cooperative societies using primary data purposive sampling techniques with the help of questionnaires. Percentage method was used for analysis of data. The different levels of 20 respondents were selected out of which 15 were middle level and were 5 senior managers. The study found that cooperative societies had been faced problems of leadership, political interference and financial management. According to this study leadership was the biggest challenge.

**Alexpandi and kumar (2014)** analyzed the performance of credit repayment by the farmers of Madurai district, Tamilnadu. The primary as well as secondary data were used. The linear trend model, semi-log trend model and the factor analysis approach were used for the analysis of data. The total number of respondents were 350 have been selected from the study area. They found that 29.15 per cent farmers fully repaid, 16.24 per cent partly repaid and 54.61 per cent farmers were defaulter.

**Asodiya et al. (2014)** tried to analyze the impact of PACS on the income of farmers to whom the societies advance loan and showed the effect of loan on the income generated from two crops Paddy and maize. In their case study of Panchmahal district of middle Gujarat, the authors revealed net profit from Paddy and maize production of the marginal and small farmers increased, who took

loan from the societies as compared to the non-borrower farmers. The investment of the marginal and small farmers also increased as compared to the non-borrower farmers. They revealed that as a result of loan advancing to these farmers by PACS, their consumption pattern also improved. The study showed the positive impact of PACS on farmers.

**Preety et al. (2016)** studied the challenges faced by cooperative banks using secondary sources in Uttar Pradesh. They revealed that cooperative banks have a range of problems such as poor recovery, inability to mobilize resources, increased day-to-day government intervention in administration and lack of ability to formulate policies.

**Sunita (2017)** analyzed the growth and performance of PACS in Haryana by using secondary data from 1990-91 to 2011-12 with the use of suitable technique and found that PACS play a major role in rural areas in the distribution of credits to the needy farmers at low rate of interest. PACS have registered considerable progress in terms of financing the Agriculture sector in Haryana. The author found that the number of PACS from 1991-92 to 2011-12 were declined. On the other hand, the members of the societies increased. The loan provided by these societies increased. The study also found some problems and challenges of these societies like loan advancing only to members, not for other needy farmers, high rate of overdue etc.

**Sreedevi and Murugan (2018)** analyzed the growth and performance of PACS with the help of secondary data from 2011-12 to 2015-16 and used percentage to analysis the data in Kanyakumari district. They described that PACS provided various services for agricultural operation and found that membership, working capital, reserve capital, deposits, borrowings of the PACS increased during that time and recovery decreased as a result overdue increased. They also revealed that PACS going into losses due to bad behavior of loan repayment by the beneficiary members.

**Sreedevi and Murugan (2018)** in their study tried to analyze the role of PACS in Agricultural services in their case study of Kanyakumari district Tamilnadu and the perception of the members of PACS about the quality of services provided by these societies. They found that the majority of the members took loan from the PACS due to the easiness and low rate of interest in obtaining the loan but they were not satisfied with the amount of loan provided by these societies. The study also revealed that the competition with other private banks is the main challenges for the PACS and suggested creation of awareness among the members about the services provided by these

societies, training facilities, the use of modern techniques for the smooth working of these societies so that these societies play major role in the rural development.

## The specific objectives of the study

1) To analyze the financial performance of Primary Agricultural Cooperative Societies.
2) To study the repayment behavior of beneficiaries of Primary Agricultural Cooperative Societies.
3) To examine the impact of credit provided by Primary Agricultural Cooperative Societies on beneficiaries.
4) To identify the constraints faced by the farmers and functioning of Primary Agricultural Cooperative Societies.

## Methodology

The present study will be based on primary as well as on secondary data. Primary data will be collected from selected respondents and through well designed interview-schedule method and required secondary data will be collected from different published and unpublished documents and various sources. Out of twenty-two districts of Haryana, suitable numbers of districts will be selected. Further, for the selection of respondents, appropriate sampling method will be used. For data analysis, appropriate tools and techniques will be used.

## Significance of the study

The role of credit in agriculture sector is very the important, therefore primary agricultural cooperative societies provide short term credit and input services to the farmers. So, the study will be highly significant for the cooperative authorities, government agencies and policymakers etc. The present study will be helpful in assessing the financial performance of PACS in Haryana. The study will be useful for knowing the effect of credit provided by PACS. The study will be useful to identify the constraints faced by the farmers and functioning of PACS will be analyzed. The findings of the study will be helpful knowing the repayment behavior of the beneficiaries.

## Scope of the study

The study has vast scope, but in this study financial performance of PACS and repayment behavior of the beneficiaries will be analyzed. The impact of credit provided by PACS on beneficiaries will be examined. In addition, it will be identified the problems faced by the farmers and functioning of PACS.

## Chapterization of the study

Chapter 1 Introduction

Chapter 2 Review of literature

Chapter 3 Methodology

Chapter 4 Financial Performance of Primary Agricultural Cooperative Societies

Chapter 5 Repayment Behavior of Beneficiaries of Primary Agricultural Cooperative Societies

Chapter 6 Impact of Credit Provided by Primary Agricultural Cooperative Societies

Chapter 7 Constraints faced by the farmers and Functioning of Primary Agricultural Cooperative Societies

Chapter 8 Summary and Conclusion

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